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Kentucky District Team

Coach's Corner

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SBA's 504 LOAN PROGRAM—"BEST KEPT SECRET IN AMERICA"

As successful small business owners look at taking that next step up the growth curve, they search for viable solutions to the challenges they face increasing production capacity. In fact, lining up the fixed assets required to expand and grow the business is a critical success factor in the planning process. It will most definitely drive the "Go" or "No-Go" decision.

SBA's 504 Loan Program for small business fixed asset financing is a viable solution specifically designed to help small businesses take that next step up the growth curve. In my opinion, it is, without a doubt, "the best kept secret in America." However, we are actively working to change that image through marketing and outreach promotion activities. I'm excited about the new 504 Loan category recently launched which is specifically designed to help small businesses in the manufacturing sector. It is appropriately called "Small Manufacturing" and has a maximum loan ceiling of \$4 Million.

SBA 504 Loans can be used for purchasing land and constructing new buildings; purchasing and renovation of existing buildings; acquisition and installation of machinery; and expanding existing facilities. The value proposition of SBA's 504 Loan includes a low down payment requirement (as little as 10%), long repayment terms (10 or 20 years), and a fixed, low interest rate. The 504 Loan works best on general projects up to \$5 Million and manufacturing projects up to \$10 Million.

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For example, a \$10 Million manufacturing project deal would include 50% (\$5 Million) financing by a participating bank (could be your bank) secured by a 1st Lien; 40% (\$4 Million) financing by SBA and one of our Certified Development Company (CDC) partners secured by a 2nd Lien; and 10% (\$1 Million) provided by the borrower as a down payment. As you can see, coupled with the competitive terms previously discussed, this is a very viable solution. I am looking forward to seeing many 504 deals this year, especially in the manufacturing sector. An example of a general 504 project deal can be found in the 504 program promotional flyer published on page 3 of this newsletter. This flyer also includes a contact listing of our CDC partners.

The following small businesses have taken advantage of the SBA's 504 Loan product offering and agree that it is an excellent solution for a small business that wants to grow.

In fact, each company's owner or executive team has indicated that the SBA 504 Loan program played a critical role in helping them take that next step up the growth curve.

- Premier Packaging-- Expansion Project, Jefferson Riverport Facility, Louisville, KY; 65,000 SQ FT Manufacturing Expansion; Ben Blincoe, President & CEO.
- Strip Masters—Expansion Project, Georgetown, KY; 45,000 SQ FT facility with 8.5 acres; Doug Barrett, Owner/Operator.
- Council Oaks Assisted Living – New Facility Project, Nicholasville, KY; Elizabeth & Patrick Stotler, Owner/Operators.
- Puzzles Fun Dome, TKS Properties, LLC—Expansion Project, Louisville, KY; Land/New Facility Construction; Timothy & Kimberly Stevenson, Owner/Operators.
- BedRock Products, LLC—Expansion Project, Leitchfield, KY; Manufacturing Facility- Land, Building, Equipment; Keith Clark, Owner/Operator.
- Quilts by Donna, Inc/D&D Sharp Properties, LLC—Expansion Project, Shepherdsville, KY; Land/New Facility Construction; Donna & Dean Sharp, Owner/Operators.

We also invite members of the banking community to contact us to find out how easy it is to become a participating bank and help bring the SBA 504 Loan solution to your customers.

Steven R. Ayers

Head Coach/District Director, SBA Kentucky District Team

Kentucky Small Business Success Stories

We're looking for businesses that have received SBA assistance through the SBA Loan Guaranty Program to promote the success of these local businesses. To nominate a business, simply email the business name, contact, and phone number to: amcalister@centertech.com. That's it, we'll take care of the rest.

SBA's 504 Loan . . . Fixed Asset Financing for Small Business



504 Loans Can Be Used To . . .

- ✓ Purchase land and construct new buildings
- ✓ Purchase and renovate existing buildings
- ✓ Acquire and install machinery
- ✓ Expand existing facilities

Advantages of an SBA 504 Loan

- ✓ Low down payment - As little as 10%
- ✓ Long term repayment - 10 or 20 years
- ✓ Low, fixed interest rate on 504 Loan

504 Loan Structure

Example: \$3,750,000 Project

	<u>\$ Amount</u>	<u>Project</u>	<u>Security</u>
Bank Loan	\$1,875,000	50%	1st Lien
SBA/CDC Loan	\$1,500,000	40%	2nd Lien
Borrower	<u>\$ 375,000</u>	<u>10%</u>	
Total:	\$3,750,000	100%	

Bank
Loan
50%



504 Financing works best on general projects up to \$5 million and on manufacturing projects up to \$10 million.

Kentucky has 5 Certified Development Companies licensed by SBA. These CDCs work closely with borrowers and their banks to package, process, and service 504 loans. The loans are funded by the sale of SBA guaranteed debentures on Wall Street. These government guaranteed bonds enable 504 borrowers to obtain low, fixed interest rates on 10 or 20-year loans. Call one of the CDC's listed below to find out if a 504 Loan is right for you!

Commonwealth Small Business Development Corporation	Frankfort, KY	Mike Davis	(502) 696-9444
Capital Access Corporation	Louisville, KY	Bill Fensterer	(502) 584-2175
Community Ventures Corp.	Lexington, KY	Mike Hillock	(859) 231-0054
Hamilton County Dev. Corp.	Cincinnati, OH	Andy Young	(513) 631-8292
Purchase Area Dev. District	Mayfield, KY	Norma Pruitt	(270) 247-7171

Small Business Development Days, a Regional Approach to Bringing Small Business and Entrepreneurial Assistance to Your Community

The Kentucky District Office, in cooperation with many federal, state and local governments and community organizations, is sponsoring Regional Small Business Development Days (SBDD) throughout the state. This is a combined effort to bring together many business resources at one place so small businesses can get whatever assistance they need to see their business succeed.

The SBDD concept is to host a regional event at a convenient location where facilities are available to provide the breakout sessions and have booths with people wanting to assist small businesses. The SBDD event starts around noon and ends around six in the evening, offering five to seven workshops. The surrounding counties are invited to participate in the event with a goal of having a regional event within an hour's drive of every county in the state. This is an aggressive goal that requires a combined community effort to plan, promote, and have a SBDD event. In the end, if small businesses get the assistance they need to survive and grow, everybody wins.

A few of the topics covered at Small Business Development Day events:

- Financing Your Business
- Selling to the Government
- Marketing
- Writing a Business Plan
- How to Start Your Business
- Patent and Trademark Workshop
- Homebased Business Workshop

The events are flexible, the workshops can be mixed to best serve a community's needs. The preliminary SBDD schedule for FY 05 is on page five of the newsletter. If you or your community would be interested in hosting a SBDD event, please contact Arch McAlister, 606.677.6082, amcalister@centertech.com or Carol Hatfield, 502.582.5761 x 238, verna.hatfield@sba.gov

Bush Administration Delivers for Small Business

By HECTOR V. BARRETO

In the last two weeks I've had the privilege of speaking before both the House and Senate Small Business Committees about SBA's proposed FY 2006 budget. Believe it or not, I like budget season. I like it because it's an opportunity to show that the resources available to us to help small businesses are increasing despite tightening budgets. We're getting more efficient, more effective and more innovative—just like a small business.

I know that in Washington, D.C., it's difficult to imagine strongly supporting a program without continually increasing its budget, but SBA has proven that it can be done. Since I became Administrator in 2001, the agency has operated under tighter budgets, yet each year SBA's programs have reached more and more American entrepreneurs. We're doing more for American small businesses with less taxpayer money. Here are some examples:

Through early February, our flagship 7(a) loan program, which is used mainly for business operations, approved 28 percent more loans than in the same period in 2004. Even better, we are now operating this program on a zero-subsidy rate, ensuring long-term stability of the program without requiring a taxpayer subsidy. Last year the SBA backed a record number of loans to women, minorities and veterans. This year, we project another record for the program with up to \$16 billion in loan guarantees available to small businesses at no cost to the American public.

In Kentucky, the SBA has approved (24 percent) more 7(a) loans through early February than in the same period a year ago.

Loans under our 504 program, used mainly for the purchase of real estate and capital equipment, are up 16 percent in FY05 over the same period in FY04. Loans to African Americans and women under 7(a) and 504 are up 57 percent and 51 percent respectively. Loans to Hispanics are up 16 percent and to Asian-Americans, loans are up 20 percent. We estimate that in the first three months of the current fiscal year, SBA programs facilitated the creation or retention of 168,000 jobs.

The numbers continue to astound some. But they shouldn't. Recognizing that small businesses are critical to growing our economy and creating new jobs, President Bush's agenda creates an environment for small businesses to flourish. His agenda combines not only government actions and programs, but the effective implementation of tax and regulatory policies.

Let's take tax reform. In 2004, 25 million small-business owners received tax relief totaling about \$75 billion dollars, an average of \$3,000 each. The President reduced marginal income rates across the board, benefiting more than 90 percent of small businesses that pay taxes at the individual income tax rates. He raised the amount that small businesses can expense for new capital investments from \$25,000 to \$100,000, reducing their

cost of purchasing new equipment and other investments. And the President has made tax relief permanence a top priority to help small businesses and their employees keep more of what they earn.

To reduce the cost of doing business in America, the President is working to ensure that small business owners and workers have access to high-quality health care and are protected from frivolous lawsuits. Just last Friday, the President signed legislation curbing abusive class-action lawsuits. On the regulatory front, actions taken by the President's administration have saved American small businesses more than \$30 billion since 2001 by reducing the complex maze of federal regulation and paperwork.

On the international scene, the President has expanded opportunities across the globe for American small businesses by completing free-trade agreements with 11 countries. Here at home, the Bush Administration is working to ensure that small businesses can compete fairly for their share of federal government dollars. And they've been successful. In FY 2003, small businesses received \$65.5 billion of prime federal contract dollars, exceeding the 23 percent governmentwide goal. Earlier this month small businesses received more great news when the Administration announced an additional \$15 billion in government contracting opportunities for small business.

Small businesses are vital to American prosperity and, thankfully, they are flourishing. In part it's because the President has taken steps to reduce taxes, encourage investment, remove obstacles to growth and provide opportunity. And in part because American entrepreneurs are innovative, resilient, tenacious and determined to achieve the American dream.

Hector V. Barreto was a small business owner and is now the 21st Administrator of the Small Business Administration.

THE SKY'S THE LIMIT

Region IV Administrator Nuby Fowler

There is an old anecdote about the first successful launch of an American steam ship. As the story goes, an old farmer stood on the river bank watching the festivities, with arms crossed and skeptical expression he exclaimed, “they’ll never get her going – she’ll never work.” As the huge paddle wheel began to turn, steam rising from the boat’s great chimney, the man’s expression never changed. He never flinched as he watched the boat make its way down river. It was a landmark day for modern transportation and the beginning of a new industrial era in America. But this man’s only retort was, “they’ll never get her stopped.”

Resistance to progress is not new, nor is it uncommon. Unhappily, those who remain mired in the past very often find themselves on the riverbank as the world moves on by. I am committed to the belief that we are only limited by our ability to see the possibilities before us. It has scarcely been a generation since it was commonly believed that women and minorities were not suited for business nor elected office. Remember just a decade ago when many economic “experts” predicted the Dow Jones Industrial Average would never reach 10,000? Likewise, those who believed that SBA had reached its full market potential just a few years ago have seen the phenomenal growth in the agency’s economic impact, which for now at least seems limitless. In each case, forward thinkers won the day over the naysayers.

Unquestionably, we are being challenged like never before as we work toward achieving what sometimes seem to be very ambitious goals. As with so many opportunities in life, we have a choice of letting the circumstances frustrate our efforts or we move beyond the emotion and commit our energy to developing new and innovative strategies for helping America’s small businesses succeed.

When you consider the distance we have traveled in just a few short years, it is clear that our combined efforts are paying off. Truly the sky is the limit. Thanks to the combined efforts of a very capable SBA staff, along with our dedicated lending and technical assistance partners, the future of SBA is very bright indeed.



U.S. Small Business Administration
Room 188 Mazzoli Federal Building
600 Dr Martin Luther King Jr. Place
Louisville, KY 40202

2005 Lender Training Schedule

Date	Training Program	Presented by
Mar 17 th	Expedited Processing (LowDoc & SBAExpress)	Karen Wright/Phil Danhauer
April 21 st	The 7(a) Application	Robert Coffey
May 19 th	Loan Processing, Loan Closing & 504 Program	Karen Wright/Sandi Preston
June 16 th	Selling Loans in the Secondary Market	Phil Danhauer/Karen Wright
July 21 st	The 7(a) Application	Robert Coffey
Aug 18 th	Loan Processing, Loan Closing & 504 Program	Karen Wright/Sandi Preston
Sept 15 th	Servicing, Liquidation & Guaranty Purchases	Karen Wright/Diana Hurley
November 3 rd & 4 th	Kentucky Lenders Conference	

Location: Training will be held in the Seaside Room of the Romano Mazzoli Federal Building

Contact Phil Danhauer, 502.582.5961 x243 or phillip.danhauer@sba.gov for more information.

Small Business Development Days Schedule

Date	Location	Address	Contact	Phone and email
3.23.2005	John R. Barber Auditorium of The Opera House	124 West Main Street Springfield, KY	Carol Hatfield	502.582.5761 x 238 verna.hatfield@sba.gov
6.7.2005	TBD	Murray, KY	Carol Hatfield	502.582.5761 x 238 verna.hatfield@sba.gov
6.8.2005	TBD	Hopkinsville	Carol Hatfield	502.582.5761 x 238 verna.hatfield@sba.gov
6.9.2005	TBD	Henderson	Carol Hatfield	502.582.5761 x 238 verna.hatfield@sba.gov
July TBD	TBD	Lexington, KY	Arch McAlister	606.677.6082 amcalister@centertech.com
7.21.2005	TBD	Ashland, KY	Arch McAlister	606.677.6082 amcalister@centertech.com
8.2.2005	The Center for Rural Development	2292 S. Hwy 27 Somerset, KY 42501	Arch McAlister	606.677.6082 amcalister@centertech.com
September TBD	Berea College	Berea, KY	Arch McAlister	606.677.6082 amcalister@centertech.com

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